

HOUSE BILL NO. 485

INTRODUCED BY M. LINDEEN, COLE

A BILL FOR AN ACT ENTITLED: "AN ACT ALLOCATING COAL SEVERANCE TAXES TO THE COAL BOARD TO BE USED FOR GRANTS TO ELIGIBLE ENTITIES AFFECTED BY DECLINING COAL PRODUCTION ~~AND GRANTS TO ELIGIBLE ENTITIES FOR ENHANCING EXISTING COAL USE~~; PROVIDING AN APPROPRIATION; AMENDING SECTIONS 15-35-108, 90-6-206, AND 90-6-207, MCA; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-35-108, MCA, is amended to read:

"15-35-108. (Temporary) Disposal of severance taxes. Severance taxes collected under this chapter must, in accordance with the provisions of 15-1-501, be allocated as follows:

(1) Fifty percent of total coal severance tax collections is allocated to the trust fund created by Article IX, section 5, of the Montana constitution. The trust fund money must be deposited in the fund established under 17-6-203(6) and invested by the board of investments as provided by law.

(2) Twelve percent of coal severance tax collections is allocated to the long-range building program account established in 17-7-205.

(3) The amount of 8.36% must be credited to an account in the state special revenue fund to be allocated by the legislature for local impacts, county land planning, provision of basic library services for the residents of all counties through library federations and for payment of the costs of participating in regional and national networking, conservation districts, and the Montana Growth Through Agriculture Act. Expenditures of the allocation may be made only from this account. Money may not be transferred from this account to another account other than the general fund. Any unreserved fund balance at the end of each fiscal year must be deposited in the general fund.

(4) The amount of 1.27% must be allocated to a nonexpendable trust fund for the purpose of parks acquisition or management. Income from this trust fund must be appropriated for the acquisition, development, operation, and maintenance of any sites and areas described in 23-1-102.

(5) The amount of 0.95% must be allocated to the debt service fund type to the credit of the

1 renewable resource loan debt service fund.

2 (6) The amount of 0.63% must be allocated to a trust fund for the purpose of protection of works
3 of art in the capitol and for other cultural and aesthetic projects. Income from this trust fund must be
4 appropriated for protection of works of art in the state capitol and for other cultural and aesthetic projects.

5 (7) The amount of 3% must be allocated to an account in the state special revenue fund to the
6 credit of the coal board to be used as provided in Title 90, chapter 6, part 2.

7 ~~(7)(8)~~ (a) Subject to subsection ~~(7)(b)~~ (8)(b), all other revenue from severance taxes collected
8 under the provisions of this chapter must be credited to the general fund of the state.

9 (b) The interest income from \$140 million of the coal severance tax permanent fund that is
10 deposited in the general fund is statutorily appropriated, as provided in 17-7-502, for the biennium ending
11 June 30, 2001, as follows:

12 (i) \$65,000 to the cooperative development center;

13 (ii) \$1.25 million for the growth through agriculture program provided for in Title 90, chapter 9;

14 (iii) to the department of commerce:

15 (A) \$350,000 for business recruitment;

16 (B) \$125,000 for a small business development center;

17 (C) \$50,000 for a small business innovative research program;

18 (D) \$425,000 for certified communities;

19 (E) \$200,000 for the Montana manufacturing extension center at Montana state
20 university-Bozeman; and

21 (F) \$300,000 for export trade enhancement; and

22 (iv) \$600,000 to the department of administration for the purpose of reimbursing tax increment
23 financing industrial districts as provided in 7-15-4299. Reimbursement must be made to qualified districts
24 on a proportional basis to the loss of taxable value as a result of Chapter 285, Laws of 1999, and as
25 documented by the department of revenue. This documentation must be provided to the budget director
26 and to the legislative fiscal analyst. The reimbursement may not be used to pay debt service on tax
27 increment bonds to the extent that the bonds are secured by a guaranty, a letter of credit, or a similar
28 arrangement provided by or on behalf of an owner of property within the district. (Terminates June 30,
29 2001--sec. 10(1), Ch. 10, Sp. L. May 2000.)

30 **15-35-108. (Effective July 1, 2001) Disposal of severance taxes.** Severance taxes collected under

1 this chapter must, in accordance with the provisions of 15-1-501, be allocated as follows:

2 (1) Fifty percent of total coal severance tax collections is allocated to the trust fund created by
3 Article IX, section 5, of the Montana constitution. The trust fund money must be deposited in the fund
4 established under 17-6-203(6) and invested by the board of investments as provided by law.

5 (2) Twelve percent of coal severance tax collections is allocated to the long-range building
6 program account established in 17-7-205.

7 (3) The amount of 8.36% must be credited to an account in the state special revenue fund to be
8 allocated by the legislature for local impacts, county land planning, provision of basic library services for
9 the residents of all counties through library federations and for payment of the costs of participating in
10 regional and national networking, conservation districts, and the Montana Growth Through Agriculture Act.
11 Expenditures of the allocation may be made only from this account. Money may not be transferred from
12 this account to another account other than the general fund. Any unreserved fund balance at the end of
13 each fiscal year must be deposited in the general fund.

14 (4) The amount of 1.27% must be allocated to a nonexpendable trust fund for the purpose of
15 parks acquisition or management. Income from this trust fund must be appropriated for the acquisition,
16 development, operation, and maintenance of any sites and areas described in 23-1-102.

17 (5) The amount of 0.95% must be allocated to the debt service fund type to the credit of the
18 renewable resource loan debt service fund.

19 (6) The amount of 0.63% must be allocated to a trust fund for the purpose of protection of works
20 of art in the capitol and for other cultural and aesthetic projects. Income from this trust fund must be
21 appropriated for protection of works of art in the state capitol and for other cultural and aesthetic projects.

22 (7) The amount of 3% must be allocated to an account in the state special revenue fund to the
23 credit of the coal board to be used as provided in Title 90, chapter 6, part 2.

24 ~~(7)(8)~~ (a) Subject to subsections ~~(7)(b)~~ (8)(b) and ~~(7)(c)~~ (8)(c), all other revenue from severance
25 taxes collected under the provisions of this chapter must be credited to the general fund of the state.

26 (b) The interest income from \$140 million of the coal severance tax permanent fund that is
27 deposited in the general fund is statutorily appropriated, as provided in 17-7-502, on an annual basis as
28 follows:

29 (i) \$65,000 to the cooperative development center;

30 (ii) \$1.25 million for the growth through agriculture program provided for in Title 90, chapter 9;

(iii) to the department of commerce:

(A) \$350,000 for business recruitment;

(B) \$125,000 for a small business development center;

(C) \$50,000 for a small business innovative research program;

(D) \$425,000 for certified communities;

(E) \$200,000 for the Montana manufacturing extension center at Montana state university-Bozeman; and

(F) \$300,000 for export trade enhancement; and

(iv) \$600,000 to the department of administration for the purpose of reimbursing tax increment financing industrial districts as provided in 7-15-4299. Reimbursement must be made to qualified districts on a proportional basis to the loss of taxable value as a result of Chapter 285, Laws of 1999, and as documented by the department of revenue. This documentation must be provided to the budget director and to the legislative fiscal analyst. The reimbursement may not be used to pay debt service on tax increment bonds to the extent that the bonds are secured by a guaranty, a letter of credit, or a similar arrangement provided by or on behalf of an owner of property within the district.

(c) Beginning July 1, 2001, there is transferred annually from the interest income referred to in subsection ~~(7)(b)~~ (8)(b) \$4.85 million to the research and commercialization expendable trust fund created in 90-3-1002. (Terminates June 30, 2005--sec. 10(2), Ch. 10, Sp. L. May 2000.)

15-35-108. (Effective July 1, 2005) Disposal of severance taxes. Severance taxes collected under this chapter must, in accordance with the provisions of 15-1-501, be allocated as follows:

(1) Fifty percent of total coal severance tax collections is allocated to the trust fund created by Article IX, section 5, of the Montana constitution. The trust fund money must be deposited in the fund established under 17-6-203(6) and invested by the board of investments as provided by law.

(2) Twelve percent of coal severance tax collections is allocated to the long-range building program account established in 17-7-205.

(3) The amount of 8.36% must be credited to an account in the state special revenue fund to be allocated by the legislature for local impacts, county land planning, provision of basic library services for the residents of all counties through library federations and for payment of the costs of participating in regional and national networking, conservation districts, and the Montana Growth Through Agriculture Act. Expenditures of the allocation may be made only from this account. Money may not be transferred from

1 this account to another account other than the general fund. Any unreserved fund balance at the end of
2 each fiscal year must be deposited in the general fund.

3 (4) The amount of 1.27% must be allocated to a nonexpendable trust fund for the purpose of
4 parks acquisition or management. Income from this trust fund must be appropriated for the acquisition,
5 development, operation, and maintenance of any sites and areas described in 23-1-102.

6 (5) The amount of 0.95% must be allocated to the debt service fund type to the credit of the
7 renewable resource loan debt service fund.

8 ~~(6) Beginning July 1, 1997, and ending June 30, 1999, the amount of 0.87% must be allocated~~
9 ~~to an account in the state special revenue fund for the purpose of protection of works of art in the state~~
10 ~~capitol and for other cultural and aesthetic projects. Beginning July 1, 1999, the~~ The amount of 0.63%
11 must be allocated to a trust fund for the purpose of protection of works of art in the capitol and for other
12 cultural and aesthetic projects. Income from this trust fund must be appropriated for protection of works
13 of art in the state capitol and for other cultural and aesthetic projects.

14 (7) The amount of 3% must be allocated to an account in the state special revenue fund to the
15 credit of the coal board to be used as provided in Title 90, chapter 6, part 2.

16 ~~(7)(8)~~ All other revenue from severance taxes collected under the provisions of this chapter must
17 be credited to the general fund of the state."

18
19 **Section 2.** Section 90-6-206, MCA, is amended to read:

20 **"90-6-206. Basis for awarding grants.** (1) ~~Grants~~ Subject to 90-6-207(8), grants must be awarded
21 on the basis of:

22 (a) need;

23 (b) degree of severity of impact from an increase or decrease in coal development or in the
24 consumption of coal by a coal-using energy complex;

25 (c) availability of funds; and

26 (d) degree of local effort in meeting these needs.

27 (2) In determining the degree of local effort, the board shall review the millage rates levied for the
28 present fiscal year in relation to the average millage rates levied during the 3 years immediately preceding
29 the year of application for assistance.

30 (3) Millage rates for the present fiscal year that are lower than the average millage rate levied

during the 3 years immediately preceding the year of application for assistance must be considered by the board to indicate the lack of local effort. The application under these circumstances may be rejected.

(4) Further, in determining the degree of local effort, the board shall consider the possibility of requiring that local governmental unit to increase its bonded indebtedness to provide all or part of the governmental service or facility that is needed as a direct consequence of an increase or decrease in coal development or in the consumption of coal by a coal-using energy complex.

(5) To the extent that funds are needed to evaluate and plan for the impact needs caused by the increase or decrease in coal development or in the consumption of coal by a coal-using energy complex, consideration of bond issues and millage levies may be waived.

(6) To the extent that the applicant has no history of mill levies, subsections (2) and (3) do not apply."

Section 3. Section 90-6-207, MCA, is amended to read:

"90-6-207. Priorities for impact grants. (1) The department of commerce shall biennially designate:

(a) each county, incorporated city and town, school district, and other governmental unit that has had or expects to have as a result of the impact of coal development a net increase or decrease in estimated population of at least 10% over one of the 3-year periods specified in subsection (4);

(b) each county and all local governmental units within each county in which:

(i) a mining permit in accordance with the Montana Strip and Underground Mine Reclamation Act has been granted by the department of environmental quality for a project within the county that will establish a new coal mine to produce at least 300,000 tons a year and that the department of commerce determines will commence production within 2 years;

(ii) the department of commerce has determined that the production of an existing mine will increase or decrease by at least 1 million tons a year and that the new, expanded, or reduced production will commence within 2 years of the designation;

(iii) a newly constructed railroad serves a new, existing, or expanding coal mine; or

(iv) a certificate of environmental compatibility and public need in accordance with the Montana Major Facility Siting Act has been granted by the board of environmental review for a new steam-generating or other new coal-burning facility that will consume at least 1 million tons a year of Montana-mined coal and for which the department of commerce determines the construction or operation

1 will commence within 2 years of the designation;

2 (c) each local governmental unit located within 100 miles, measured over the shortest all-weather
3 public road, of a mine or facility qualifying under subsection (1)(b)(i), (1)(b)(ii), or (1)(b)(iv); and

4 (d) each local governmental unit in which:

5 (i) a mine that has produced 300,000 tons or more of coal a year has ceased all significant mining
6 or is scheduled to cease within 1 year; or

7 (ii) a steam-generating or other coal-burning facility that has operated under a certificate of
8 environmental compatibility and public need in accordance with the Montana Major Facility Siting Act and
9 that has consumed at least 1 million tons of Montana-mined coal a year has closed or is scheduled to close
10 within 1 year.

11 (2) Designation under subsection (1) of:

12 (a) any local governmental unit extends to and includes as a designated unit the county in which
13 it is located; and

14 (b) a county extends to and includes as a designated unit any local governmental unit in the
15 county that contains at least 10% of the total population of the county.

16 (3) Except as provided in 90-6-205(4)(b), the board may not award more than 50% of the funds
17 appropriated to it each year for grants to governmental units and state agencies for meeting the needs
18 caused by an increase or decrease in coal development or in the consumption of coal by a coal-using
19 energy complex to local governmental units other than those governmental units designated under
20 subsection (1).

21 (4) For the purposes of subsection (1), the department of commerce shall use five 3-year periods
22 as follows:

23 (a) one consecutive 3-year period ending 2 calendar years prior to the current calendar year;

24 (b) one consecutive 3-year period ending 1 calendar year prior to the current calendar year;

25 (c) one consecutive 3-year period ending with the current calendar year;

26 (d) one consecutive 3-year period ending 1 calendar year after the current calendar year; and

27 (e) one consecutive 3-year period ending 2 calendar years after the current calendar year.

28 (5) Attention should be given by the board to the need for community planning before the full
29 impact is realized. Applicants should be able to show how their request reasonably fits into an overall plan
30 for the orderly management of the existing or contemplated growth or decline problems.

(6) All funds appropriated under this part are for use related to local impact.

(7) All designations based on an increase in coal development or in the consumption of coal by a coal-using energy complex made under subsection (1)(a), (1)(b), or (1)(c) must be for 1 year. A designation may not continue after the department of commerce determines that the mine, railroad, or facility that provided the basis for a designation is contributing sufficient tax revenue to the designated governmental unit to meet the increased costs of providing the services necessitated by the development of the mine, railroad, or facility. However, nondesignated local governmental units continue to be eligible for coal impact grants of not more than 50% of the funds appropriated to the board for grants in circumstances in which an impact exists in a community or area directly affected by:

(a) the operation of a coal mine or a coal-using energy complex; or

(b) the cessation or reduction of coal mining activity or of the operation of a coal-using energy complex.

(8) ~~(a)~~ The board shall use 50% 100% of the funds received pursuant to 15-35-108 for the purposes described in subsection (7)(b).

~~(b) The board shall use the remaining 50% of the funds received pursuant to 15-35-108 for local projects that enhance existing coal use."~~

NEW SECTION. Section 4. Appropriation. There is appropriated from the coal severance tax allocated to the coal board under 15-35-108(7) \$1 million to be used as provided in 90-6-207(8).

NEW SECTION. Section 5. Notification to tribal governments. The secretary of state shall send a copy of [this act] to each tribal government located on the seven Montana reservations and to the Little Shell band of Chippewa.

NEW SECTION. Section 6. Effective date. [This act] is effective July 1, 2001.

- END -